

# INDUSTRY UPDATE

Biweekly Period Ending March 25, 2000

## **Phoenix Metro Area**

### **Manufacturing**

Work is “taking off,” literally, at Gilbert-based **Spectrum Astro Inc.** The satellite manufacturer **expects to add 500 to 700 engineers and technicians** to its current workforce of 300 **over the next five years** if it secures a multi-billion dollar contract to build a U.S. missile defense system. Spectrum Astro is in good position to win the contract, which will be awarded in 2002, since it has a three-year, \$275 million contract to prepare a study for building the system. The company’s 232,000-square-foot campus at Elliot and McQueen roads has sufficient space to build 20 satellites at one time.

After several years of financial difficulty, Tempe-based **Iridium North America** announced it will **shut down operations**, forcing the **elimination of 400 jobs**. First developed by Motorola Inc. and other investors in the mid-1990s, the global wireless telephone service supported by 66 satellites had a hard time “getting off the ground” because of the high cost of its service. Motorola is attempting to find jobs for its share of laid-off employees.

### **Construction**

Work is expected to **start in late 2001** on a **\$50 million office tower** in downtown Phoenix to house administrative operations for Maricopa County. The 20- to 25-story building at Jefferson Street and 7<sup>th</sup> Avenue is expected to be completed by mid-2003. Called **Plaza de Maricopa**, the building is part of a 20-year capital-improvement project that covers four-square blocks between Fifth and Seventh avenues and Jefferson and Jackson streets.

The city of Tempe has entered into an agree-

ment with **SunCor Development Co.** to build a variety of commercial and retail buildings on the north side of Tempe Town Lake. The project, which will be called **Hayden Ferry Lakeside**, will include a 200,000-square-foot office building, a hotel with retail establishments, restaurants, and housing and entertainment facilities. The master-planned development on the north side of the lake would be in addition to a planned 1,500-room Peabody Hotel, which is in trouble because of problems in securing financing. SunCor is a subsidiary of Pinnacle West Capital Corp.

### **Finance, Insurance, and Real Estate**

For the fifth time this year, a major call center operation has announced plans to expand or consolidate its operations in the Phoenix metro areas. Boston-based **MFS Investment Management**, the nation’s oldest mutual fund company, will open its first regional headquarters outside of Boston at 24th and Peoria avenues in Phoenix in 2001, **creating about 1,000 jobs**. Customer-service workers will take calls from clients seeking account-related information. Other companies that announced this year plans for new call-center operations in the Valley include NextCard, an Internet-operated credit-card company based in San Francisco; Metris Companies; Target; and Dillard’s (see March 11, 2000, issue of *Industry Update*).

### **Services**

The **Ak-Chin Indian Community** is adding on a **144-room Harrah’s resort** to its casino in the town of Maricopa, about 25 miles southwest of Chandler. The tribe expects to complete the \$18 million full-service hotel — which will include a restaurant, fitness center, a pool with a swim-up bar, ballroom, and meeting space — by mid-December.



The resort, which may eventually include an 18-hole golf course, will be run by **Harrah's Entertainment**, as is the casino. The Ak-Chin Indian Community is one of several Phoenix-area tribes with casino gambling expanding into the resort industry. The Gila River and Salt River tribes have announced plans for much larger resort hotels and golf courses, while the Fort McDowell tribe near Fountain Hills has been attempting to partner with a Major League Baseball team on a spring training facility and hotel resort.

The timing of the casino resorts, along with **3,100 new rooms** expected to **open in 2000**, is not good news for other Valley hoteliers, especially in Scottsdale. According to a story in *The Tribune*, Phoenix-area hotel occupancy rates (the percentage of rooms reserved or booked) have been declining since 1995 to a low of 62.2 percent in 1999, and average room rates dropped last year for the first time since 1991. Times have been particularly tough in Scottsdale, where room demand only increased 2 percent last year, compared to a 10 percent increase in rooms, *The Tribune* said. And most of the new rooms coming on-line in Scottsdale are from high-end hotels, while the additional space in the rest of the Valley has primarily come from budget hotels.

### **Government**

In an effort to increase salaries of its 2,000 employees, the **Kyrene School District** announced plans to **cut 90 positions** (including 30 teaching slots). The district — which said it will attempt to place those affected by the cuts in other positions — expects to save \$3.4 million from the cuts, or about 5¼ percent of the \$59.4 million it currently spends on salaries. A final vote on the proposal is expected to take place March 28.

---

### **Balance of State**

#### **Construction**

The Coconino County Board of Supervisors approved in mid-March a **272-acre master-planned community** just **south of the**

**Grand Canyon**. But work on the extensive project — 1,140 hotel rooms, 2,375 housing units, 250,000 square feet of commercial space, a school, and houses of worship — may be a ways off because of opposition from northern Arizona merchants worried about the loss of business. The U.S. Department of the Interior approved **Canyon Forest Village** in 1999 in an effort to limit other development encroaching on the national park. However, upset hotel and restaurant owners in Flagstaff, Williams, and Tusayan are attempting to put the project on the November election ballot.

### **Trade**

**Home Depot** will open its **first Flagstaff location** on April 6. The 105,000-square-foot store will provide strong competition for the city's now largest home-repair store, HomCo Ace, which employs 150. A Home Depot store typically employs about 200 part- and full-time workers.

### **Government**

The city of **Bullhead City** has **requested 17 new police positions** for its fiscal year beginning July 1. The Bullhead City Council will consider the proposal, which includes 11 officers and four detectives, when it adopts a budget in early June.

---

## **INDUSTRY UPDATE**

*Industry Update* is produced biweekly as a stand-alone publication and quarterly as part of *Arizona Economic Trends* by the Arizona Department of Economic Security, Research Administration. *Industry Update* is a compilation of public announcements and articles from newspapers and periodicals about business events significant to Arizona labor markets. Due to space limitations, however, an exhaustive list of industry news is not feasible. In addition, DES, Research Administration is not responsible for incorrect information reported by these sources. For more information, contact DES, Research Administration by writing to 1789 W. Jefferson St., Site Code 733A, Phoenix, AZ 85007, or calling (602) 542-3871.